



HFR INDEX

Market Commentary

September 8, 2025



HFRI SURGES IN AUGUST DRIVEN BY RECORD EQUITIES, EXPECTATIONS FOR LOWER INTEREST RATES

HFRI Equity Hedge Index jumps +3.3 percent as
HFRI EH: Multi-Strategy surges +7.58 percent;
Geopolitical risks evolve on trade and US Federal Reserve

CHICAGO, (September 8, 2025) – Hedge funds surged in August, extending the fourth consecutive month of strong performance, with contributions from all four main strategies and leadership by Equity Hedge. Gains were driven by rising equity markets, falling bond yields, and expectations for interest rate cuts, as well as continuing evolution of geopolitical risks, including developments on trade/tariff negotiations, the US Federal Reserve, and continued efforts to resolve ongoing military conflicts. The HFRI Fund Weighted Composite Index® (FWC) advanced an estimated +2.3 percent in August, while the HFRI Asset Weighted Composite Index added +1.8 percent for the month, as reported today by HFR®, the established global leader in the indexation, analysis and research of the global hedge fund industry.

Driven by strong earnings and falling interest rates, the HFRI Equity Hedge (Total) Index led strategy gains, jumping an estimated +3.3 percent for the month, while the HFRI Event-Driven (Total) Index advanced +2.0 percent. The HFR Cryptocurrency Index surged +2.5 percent in August, while the HFRI Multi-Manager/Pod Shop Index added +0.9 percent, with positive contributions from equity, event-driven, and fixed income exposures. As a result of strong interest, HFR is pleased to announce the hosting of Crypto Insight Chicago – an exclusive private engagement for leading cryptocurrency investors and fund managers. Attendance is for investors only with limited capacity; to request an invitation please email events@hfr.com.

Hedge fund performance dispersion expanded in August, as the top decile of the HFRI FWC constituents advanced by an average of +10.7 percent, while the bottom decile fell by an average of -2.7 percent, representing a top/bottom dispersion of 13.3 percent for the month. By comparison, the top/bottom performance dispersion in July was 11.7 percent. In the trailing 12 months ending August 2025, the top decile of FWC constituents gained +47.0 percent, while the bottom decile declined -15.4 percent, representing a top/bottom dispersion of 62.4 percent. Approximately eighty percent (80%) of hedge funds produced positive performance in August.

Equity Hedge (EH) funds, which invest long and short across specialized sub-strategies, jumped +3.3 percent for the month, driven by gains in Multi-Strategy, Healthcare, Fundamental Growth and Fundamental Value sub-strategies. The HFRI EH: Multi-Strategy Index surged +7.58 percent in August, while the HFRI EH: Sector-Healthcare Index advanced +4.1 percent. Other leading sub-strategy areas included HFRI EH: Fundamental Growth Index, which jumped +3.8 percent, and the HFRI EH: Fundamental



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Value, which added +3.2 percent. Through the first eight months of the year, the HFRI EH (Total) Index leads all strategy performance with a return of +10.9 percent.

Event-Driven (ED) strategies, which often focus on out-of-favor, deep value equity exposures and speculation on M&A situations, also advanced in August, as the HFRI Event-Driven (Total) Index added an estimated +2.0 percent for the month, resulting in a four-month surge of +8.8 percent since mid-2Q. ED sub-strategy performance was led by the HFRI ED: Activist Index, which jumped +4.2 percent, and the HFRI ED: Multi-Strategy Index, which returned +2.3 percent for the month.

Uncorrelated Macro strategies also gained in August, with the HFRI Macro (Total) Index advancing an estimated +1.5 percent for the month, led by both fundamental and quantitative Macro sub-strategies. With contributions from falling interest rates, the HFRI Macro: Discretionary Thematic Index advanced +2.2 percent in August, while the trend-following, quantitative HFRI Macro: Systematic Diversified Index advanced +1.7 percent for the month, the strongest monthly gain since November 2024.

Fixed income-based, interest rate-sensitive strategies also advanced for the month as short-dated bond yields declined and investors positioned for the US Federal Reserve to reduce interest rates in 2H25, with the HFRI Relative Value (Total) Index returning an estimated +1.1 percent in August. Relative Value performance was driven by the HFRI RV: FI-Convertible Arbitrage Index and HFRI RV: FI-Sovereign Index, each of which gained +1.5 percent for the month.

Liquid Alternative UCITS strategies also produced gains in August, as the HFRX Market Directional Index advanced +1.3 percent, while the HFRX Global Hedge Fund Index added +1.1 percent for the month. HFRX strategy performance was led by the HFRX Macro/CTA Index, which gained +2.0 percent in August.

“Strong hedge funds gains accelerated in August as global equities eclipsed record highs and investors positioned for lower US interest rates while the uncertainty regarding tariff negotiations continued to evolve. Hedge funds posted strong gains in August with positive contributions across all strategies, led by directional Equity Hedge, which leads all strategies YTD with an impressive gain of nearly +11.0 percent,” stated Kenneth J. Heinz, President of HFR. “While the HFRI showed exciting performance gains for the month, it is significant that August saw a powerful broadening out of the strategic drivers of performance – in addition to large cap technology and AI-spending related exposures, we also observed important contributions from small cap, value, financial and emerging market equities, as well as commodity-related, cryptocurrency, interest rate sensitive and M&A drivers. While these drivers have contributed to powerful risk-on sentiment in recent months, leading managers are likely to remain tactically positioned for either continuation or reversals of these trends in this fluid environment over the coming months, adjusting portfolio exposures accordingly. Institutional investors looking to manage exposure to these trends are likely to increase allocations to managers which have demonstrated their strategy’s success through recent risk off and risk on market cycles.”



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NOTE: August 2025 index performance figures are estimated as of September 8, 2025

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HFR Index provides over 500 indices of hedge fund performance ranging from industry-aggregate levels down to specific, niche areas of sub-strategy and regional investment focus. HFR Database, a comprehensive resource available for hedge fund investors, includes fund-level detail on historical performance and assets, as well as firm characteristics on both the broadest and most influential hedge fund managers.

HFR has developed a detailed fund classification system, enabling granular and specific queries for relative performance measurement, peer group analysis and benchmarking. The HFR suite of analysis products leverages HFR Database to provide detailed, current, comprehensive, and relevant aggregate reference points on all facets of the hedge fund industry. HFR also offers consulting services for sophisticated investors seeking specialized analysis.

Please direct enquiries to:

HFR Index
Kenneth Heinz
Chicago/312.658.0955
info@hfr.com

Craft & Capital
Chris Sullivan
New York/917.902.0617
chris@craftandcapital.com

Hydra Strategy
Henrietta Hirst
London/+44 (0) 7880 742 375
Henrietta.hirst@hydrastrategy.co.uk